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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to)
Investigate Proposed Amendments)
to the Framework for Integrated)
Resource Planning.)
_____)

Docket No. 2009-0108

PRELIMINARY STATEMENT OF POSITION
OF THE
COUNTIES OF HAWAII, KAUAI, AND MAUI
AND
CERTIFICATE OF SERVICE

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)	
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BACKGROUND

Pursuant to the ORDER APPROVING THE STIPULATED PROCEDURAL ORDER, AS MODIFIED, dated September 23, 2009, the Counties of Hawaii, Kauai, and Maui ("Counties") submit the following Preliminary Statement of Position, which replaces the Preliminary Statement of Position jointly filed by the Counties on September 25, 2009, and jointly withdrawn by the Counties on October 1, 2009.

The Counties base the following Preliminary Statement of Position on the Counties involvement as parties in Docket No. 6617, Instituting a Proceeding to Investigate a Framework for Integrated Resource Planning, in 1990-91. The Counties actively

collaborated with the other parties on the development of a Consensus Document, dated January 1991. The Consensus Document served as the basis for the Framework for Integrated Resource Planning ("IRP Framework"), which was adopted by the Public Utilities Commission ("Commission"). The Counties together filed a Joinder in the proposed final IRP framework submitted by Carl Freedman for the Blue Ocean Preservation Society.

The Counties also base its Preliminary Statement of Position on each County's continuous participation in the IRP Advisory Group for the utility serving each county, from the inception of the Integrated Resource Planning processes for each utility in 1992, to the present.

Furthermore, the Counties base its Preliminary Statement of Position on each County's participation in IRP related Advisory Groups and in Commission proceedings related to the IRP process, including the HECO Companies' Statewide Externalities Advisory Group, Docket No. 94-0026 investigating renewable energy resources, Docket No. 96-0493 investigating electric competition and electric utility infrastructure, Docket No. 03-0371 investigating distributed generation, and Docket No. 05-0069 relating to demand-side management and load management programs.

The following Preliminary Statement of Position is offered for future collaborative discussions with all other parties to this proceeding.

PRELIMINARY STATEMENT OF POSITION

This Preliminary Statement of Position is provided in the context of the four issues approved in the Stipulated Procedural Schedule, as modified.

1. What are the objectives of CESP and how do they differ from the objectives of IRP?

The objectives of CESP, as indicated in the Goal and the Governing Principles of the proposed Framework for Clean Energy Scenario Planning, by the Hawaiian Electric Companies and the State Division of Consumer Advocacy, dated April 28, 2009 ("Proposed CESP Framework"), do not differ significantly with the objectives reflected in the goal and governing principles of the IRP Framework. Furthermore, much of the IRP process changes in the Proposed CESP Framework could be done within the flexible and encompassing scope of the IRP Framework. However, the Counties support revising the IRP Framework with additional Governing Principles and with specific process changes to

reflect current conditions and to prescribe new IRP Framework requirements, as described below.

2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?

The Counties' proposed changes to the IRP Framework and process, with the reasons supporting the proposed changes, follow.

- A. The Counties propose that existing Governing Principle #3 be expanded to include the following underlined provisions:

Integrated resource plans shall be developed upon equal, fair, and consistent consideration and analyses of the costs, effectiveness, and benefits of all appropriate, available, and feasible supply-side and demand-side options. Demand-side options shall include, but not be limited to, rate and fee designs and all distributed generation systems located on the customers' side of the meter.

In support of the proposed provision for equal, fair, and consistent consideration and analyses of the costs, effectiveness, and benefits of all appropriate, available,

and feasible supply-side and demand-side options, the Counties recommend that an IRP process change be made to require each utility to identify all significant distribution system projects on Locational Value Maps, so that with a utility's support, market opportunities may be created to replace conventional distribution system project improvements with distributed generation systems.

The Counties further add that each utility should be required to support the elimination or the minimization of all identified distribution system projects by providing technical support, facilitating grid interconnections, and providing financial incentives to customer-generators and distributed generation companies. Each utility should also be eligible for financial incentives for facilitating the development of non-utility distributed generation system alternatives.

Rate and fee designs are specified as demand-side options in the Counties' proposed addition to Governing Principle #3, so that each utility's rate and fee pricing structures can be designed to complement the development of technology-based demand-side options. The Hawaiian Electric Companies ("HECO Companies") provided the

following testimony in support of considering rate design as a complement to technology-based demand-side options, in Docket No. 6617, the initial proceeding instituting the IRP process:

"Rate design or the pricing of the utility's service complements the technology-based demand-side options for load shifting, load management, or peak clipping purposes. Appropriate pricing or rate design is one of the key determinants of the cost-effectiveness to customers of demand-side options which require initial customer investments. Rate design could be used in the IRP as a valuable tool to increase customer participation in demand-side management programs. Rate design could also offer a valuable and cost-effective alternative to technology-based demand-side programs for achieving the same DSM objectives." (T-5, p.37)

- B. The Counties propose that existing Governing Principle #4 be expanded to include the following underlined provisions:

Integrated resource plans shall give consideration to the plans' impact upon ~~the~~ a utility's consumers, the environment, culture, community lifestyles, the State's economy, and society. Said consideration shall include, but not be limited to, an estimation of externality values from consumer and community "willingness-to-pay" perspectives.

The objective of this additional specification to the IRP Framework is to provide consumers and community groups the opportunity to monetize relevant externalities in a context of realistic resource options and costs. This approach contrasts with the HECO Companies' monetization of air emission externalities from a utility's cost-based perspective, which the Counties find to be mostly irrelevant to stakeholders and out of context with relevant resource options.

Specifically, the Counties propose the monetization of the externalities associated with various resource portfolios/scenarios by measuring various stakeholders' "willingness-to-pay". For example, take two resource portfolios/scenarios with the only difference between the two being the location of similar wind farms. One portfolio includes a wind farm adjacent to an urban area and another portfolio includes a wind farm located in a remote area. If stakeholders are surveyed on their "willingness-to-pay" for each resource portfolio, then the monetized results would indicate the magnitude of acceptance or non-acceptance for each wind farm option. Existing monetized externality values would not allow for the discernment of location-specific externalities

associated with wind farms and other potentially controversial energy resource options.

- C. The Counties propose that existing Governing Principle #6 be expanded to include the following underlined sentence:

Integrated resource planning shall be an open public process. Opportunities shall be provided for participation by the public and governmental agencies in the development and in commission review of integrated resource plans.

Each utility shall model at least five resource portfolios/scenarios proposed by each utility's Advisory Group.

This additional requirement to the IRP process is recommended to significantly improve the responsiveness of each utility's planning process to its Advisory Group. The IRP process must go beyond providing opportunities for public participation by improving the accommodation of legitimate resource options proposed by Advisory Group members. Accordingly, the Counties propose the analysis and modeling of at least five resource portfolios/scenarios recommended by the Advisory Group. This proposed

requirement is expected to reduce the amount of disagreements from Advisory Group members.

Further, in order to adapt the principle of an open public IRP process to current situations, the Counties recommend an IRP process change be made which would require a utility to consult with the Advisory Group of another utility if a utility is considering the use of some resources in another utility's service territory. For example, if HECO considers the use of renewable energy transmitted from Molokai and/or Lanai, then HECO should be required to consult with MECO's Advisory Group.

D. The Counties propose the following new Governing Principle:

Integrated resource plans shall take into consideration the need to prevent or mitigate the consequences of prolonged grid outages and other energy emergencies.

In support of this proposed Governing Principle, the Counties also recommend that an IRP process change be made to require each utility to model at least one resource portfolio/scenario from an optimized, energy emergency management perspective. The objective would be to optimize

a resource portfolio/scenario with distributed generation resources that would improve electrical energy emergency preparedness, response, and recovery efforts. For example, combined heat and power systems, dispatchable standby generators, plug-in hybrid electric vehicles, and other distributed generation and storage systems, could be modeled to determine the maximum amount of grid-interconnected, emergency power systems that could be deployed at lifeline facilities, businesses, and homes. This resource optimization effort would be instructive in better understanding the energy emergency benefits and costs associated with DG resources.

- E. The Counties propose the following change to the IRP Framework:

Each utility shall prepare an interim IRP filing for review and approval by the Commission.

This change to the IRP process is recommended to resolve disagreements from intervenors and Advisory Group members about the key assumptions, forecasts, resources, and resource portfolios/scenarios to be used in subsequent planning analyses and modeling. The current process, which

would address any disagreements during the contested case proceeding to approve the final IRP Plan, may be counter-productive from the perspective of the Commission because it may be too time consuming and costly for a utility to be required to re-prepare IRP Plans and Action Plans with alternative assumptions, forecasts, resources, and/or resource portfolios/scenarios. If an interim review is established, then any disputes over key planning inputs can be resolved at a time when any changes can be most easily incorporated into the planning process.

The use of an interim review process to resolve disagreements with Advisory Group members and intervenors is expected to be mitigated by the Counties' previously proposed IRP process requirement, which would require each utility to analyze and model at least five resource portfolios/scenarios recommended by the Advisory Group.

- F. The Counties propose the following underlined changes to the IRP Framework's required submission to the Commission, section D.1.a.(12):

~~The~~ Each utility shall include in its integrated resource plan a full and detailed description of...(12) the potential

impact of the plan on rates, consumer bills, and consumer energy use, including any potential rate and billing impacts due to possible rate equalization measures between utility service territories.

The Counties recommend this additional specification to the IRP Framework because there is a need to consider possible rate equalization measures in situations where a utility utilizes, either directly or indirectly to meet renewable portfolio standards, some resources located in another utility's service territory. The IRP process appears to be the best forum for the consideration of rate equalization issues.

3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?

The Counties believe that its Preliminary Statement of Position is relevant to both electric cooperatives and investor owned utilities. However, the Counties are open to reviewing specific recommendations and discussions from the Kauai Island Utility Cooperative.

4. What should be the role of the state's public benefits fee administrator?

The role of the public benefits fee ("PBF") administrator should be to fully participate in all aspects of IRP process that are related to the delivery of energy products and services to consumers, including but not limited to, all energy efficiency resources, demand response and smart grid resources, and demand-side distributed generation resources.

Although KIUC has been exempted from the Public Benefits Fee Administrator, the Counties would like to see collaborative efforts between KIUC and the PBF Administrator.

CONCLUSION

The Counties' Preliminary Statement of Position reflects the Counties' initial recommendations for improving the IRP process and its Framework. The Counties find merit with some provisions in the Proposed CESP Framework and with some of the provisions informally presented by other parties. The Counties will continue to work toward consensus positions with all other parties and any agreements and significant disagreements with another party's positions will be incorporated into the Counties' Final Statement of Position.

DATED: Hilo, Hawaii, October 1, 2009.

LINCOLN S.T. ASHIDA
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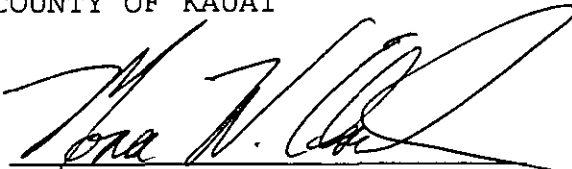
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Deputy Corporation Counsel

DATED: Lihue, Kauai, Hawaii, September 29, 2009.

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DATED: Wailuku, Maui, Hawaii, September 29, 2009.

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By

A handwritten signature in black ink, appearing to read "Michael J. Hopper", is written over a horizontal line.

MICHAEL J. HOPPER
Deputy Corporation Counsel

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Preliminary Statement of Position were duly served upon the following by United States mail, first class postage prepaid, and by electronic mail, on October 1, 2009, addressed as follows:

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DATED: Hilo, Hawaii, October 1, 2009.

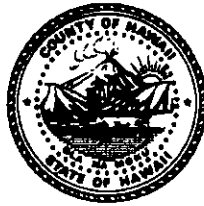
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TRANSMITTAL LETTER

DATE: October 1, 2009

TO: PUBLIC UTILITIES COMMISSION
465 S. KING STREET, ROOM 103
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FROM: Stacie Waltjen, Legal Clerk to 
William V. Brilhante Jr., Deputy Corporation Counsel

RE: *Preliminary Statement of Position of the Counties of Hawai'i,
Kaua'i, and Maui and Certificate of Service re Docket No. 2009-
0108*

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ITEMS	DATE	DESCRIPTION
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REMARKS: Thank you in advance for the file-marked copies of the enclosed document.

Enclosures